



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2674 (1924)  
October 28, 1992

SUBJECT: Development of Realistic Long-Range Farm Budgets

TO: State Directors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance on the development of realistic long-range planning with reference to projected agricultural commodity prices and related expenses. These prices and costs will be utilized for the determination of farm budget feasibility when evaluating for loan deferral. This information will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G. In order to provide a sound basis for long-term projects and requests for assistance, a realistic long-range farm plan is necessary.

COMPARISON WITH PREVIOUS AN

This AN replaces AN No. 2417 (1924), dated December 2, 1991. The updates in this AN provide necessary information for development of farm budgets for the 1993-99 crop years.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.57(d)(1), states that the projections used in developing planned farm budgets with reference to income and related expenses, must be supported by the borrower's actual historical records.

Exhibit A of this AN provides a table of USDA projections for the percentage change of prices for various major commodities as well as related farm expenses. For those commodities and expenses not shown on this attachment, such as aquacultural products, guava, lamb or rabbits, local buyers, processors, Agricultural Extension Service or similar sources should be contacted to obtain the best estimates available for these items.

EXPIRATION DATE:  
October 31, 1993

FILING INSTRUCTIONS:  
Preceding FmHA Instruction 1924-B



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**EXAMPLE: POTATOES**

Local avg. cash price x year % change = price adjustment

\$5.40/cwt. (1992) x 3.70% (1997) = +\$0.20/bu

Price adjustment + 1992 avg. cash price = 1997 projected price

+\$0.20 + \$5.40/cwt. = \$5.60/cwt.

FmHA Instruction 1924-B, Section 1924.57(d)(2), states that each State Director will establish the average unit price for each agricultural commodity produced on a State-wide basis. State Directors may also elect to establish regional unit prices for different regions of the state when there are factors (transportation costs) to establish a regional pattern. Exhibit B of this AN provides a national average for major agricultural commodities with which States may use as a guideline to compare their developed commodity prices. These national averages are in no way issued to replace State-developed prices.

State Directors, when developing unit prices, can utilize available data from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1992 and/or contracts with verified markets will be able to utilize that higher unit price in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations.

If the State Director finds it necessary to change selected commodity projections in Exhibit A, a detailed justification will be sent to the National Office for approval.

Any changes can be sent by Telemail to no.pds or by facsimile to FTS 720-8474 or commercial (202) 720-8474 addressed to Director, Farmer Programs, Program Development Staff.

  
LA VERNE AUSMAN  
Administrator

for  
Attachments

Sent by telefax on 10/30/92 at 11:01am by GSS. . The State Director should advise other personnel as appropriate.

CASH COMMODITY PRICES RECEIVED

-----< Projected % Change From 1992 >-----							
COMMODITY	1993	1994	1995	1996	1997	1998	1999
Wheat	-11.94	-14.93	-13.43	-10.45	-10.45	-8.96	-5.97
Corn	-8.89	-6.67	-2.22	0.00	2.22	0.00	2.22
Sorghum	-9.30	-9.30	-4.65	-2.33	0.00	-2.33	0.00
Barley	2.38	2.38	0.00	2.38	0.00	0.00	0.00
Oats	0.00	3.70	7.41	7.41	3.70	0.00	-3.70
Soybeans	-2.70	-0.90	0.00	0.90	2.70	5.41	9.91
Cotton	-17.46	-16.67	-15.87	-13.49	-11.11	-9.52	-7.94
Rice	-2.08	-1.39	0.00	1.39	2.78	3.47	4.86
SB Oil	-3.63	0.00	0.00	0.00	3.63	7.89	13.16
SB Meal	-2.31	-3.17	-3.46	-3.17	-2.59	-1.15	2.31
Peanuts	15.08	8.47	8.47	10.17	15.56	15.56	16.95
Dry Beans	13.37	10.16	9.63	12.83	14.97	15.51	16.04
Direct Govt. Paymts	14.00	7.00	-1.16	-8.14	-13.95	-22.09	-31.40
Potatoes	1.85	-1.85	0.00	1.85	3.70	5.56	5.56
Sweet Potatoes	0.00	-2.94	-2.94	-0.74	1.47	2.21	2.21
Apples	-3.16	-0.63	0.63	2.53	4.43	8.23	10.76
Oranges	1.30	1.30	0.00	-1.30	-2.60	-1.30	0.00
All Fruit	2.04	3.06	3.06	4.08	6.12	8.67	11.22
Vegetables	1.39	2.78	4.86	6.25	7.64	9.03	11.11
SUGAR:							
Sugarbeet	0.00	0.24	0.48	0.72	0.96	1.20	1.45
Sugarcane	0.00	0.34	0.68	1.02	1.37	1.71	2.05
TOBACCO:							
Flue-Cured	2.94	5.88	8.82	10.59	11.76	12.94	14.12
Burley	1.11	1.67	3.33	5.56	7.22	8.89	10.56
Cattle	-1.78	0.43	-0.10	0.81	3.79	8.71	12.24
Calves	-2.14	-5.98	-10.97	-7.33	-3.15	-4.06	-6.49
Hogs	1.93	24.39	35.38	38.18	39.97	42.94	45.00
Broilers	1.32	2.84	4.79	5.87	8.51	11.88	14.72
Turkeys	1.64	3.84	4.55	5.10	6.47	8.16	9.81
Eggs	9.69	14.90	11.85	21.18	13.29	22.62	16.52
Milk	-6.77	-10.61	-10.84	-9.03	-6.85	-6.09	-5.34

PRODUCTION AND LIVING EXPENSES

Feed	-3.39	-2.52	0.00	2.40	2.40	2.40	3.94
Feeder Livestock	-2.03	-3.08	-5.24	-2.03	1.47	6.51	8.22
Seed	4.12	7.39	10.44	13.76	18.09	21.26	24.54
Fertilizer	3.65	7.04	11.41	15.92	20.48	23.70	27.87
Ag. Chemicals	4.82	8.14	11.24	14.13	16.84	19.39	21.78
Fuels	4.27	8.18	11.79	15.48	18.55	21.71	24.91
Farm & Motor Sup.	1.84	3.03	4.76	6.43	8.05	9.60	11.11
Auto & Truck	4.09	8.19	12.24	15.69	19.12	22.29	25.22
Tractors	2.69	4.82	6.87	8.82	10.70	12.15	13.89
Other Machinery	3.32	6.43	9.69	12.75	15.27	17.96	20.75
Bldg. & Fencing	3.35	7.98	11.24	15.25	18.48	21.88	24.62
Farm Serv. & Rent	2.29	3.93	6.04	8.56	10.94	13.64	15.76
Production Items	1.69	3.87	5.95	8.90	11.68	14.29	16.75
Interest	-1.84	-5.06	-7.10	-9.21	-12.16	-15.28	-17.73
Taxes	1.79	3.51	4.62	6.25	7.30	8.33	9.84
Wages	4.04	7.76	10.83	14.06	17.05	19.85	22.46
Other Expenses	2.56	5.00	7.32	9.95	12.44	15.18	17.39
Family Living (CPI)	3.26	6.44	9.47	12.32	15.09	17.80	20.42

PROJECTED LONG RANGE FARM PRICES

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FmHA, FP, Program Development Staff

15-Oct-92

FmHA AN 2674 (1924)

Exhibit B

-----< PROJECTED CASH COMMODITY PRICES RECEIVED>-----

COMMODITY	UNITS	1992	1993	1994	1995	1996	1997	1998	1999
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Wheat	\$/bu	3.35	2.95	2.85	2.90	3.00	3.00	3.05	3.15
Corn	\$/bu	2.25	2.05	2.10	2.20	2.25	2.30	2.25	2.30
Sorghum	\$/bu	2.15	1.95	1.95	2.05	2.10	2.15	2.10	2.15
Barley	\$/bu	2.10	2.15	2.15	2.10	2.15	2.10	2.10	2.10
Oats	\$/bu	1.35	1.35	1.40	1.45	1.45	1.40	1.35	1.30
Soybeans	\$/bu	5.55	5.40	5.50	5.55	5.60	5.70	5.85	6.10
Cotton	\$/lb	0.63	0.52	0.53	0.53	0.55	0.56	0.57	0.58
Rice	\$/cwt	7.20	7.05	7.10	7.20	7.30	7.40	7.45	7.55
SB Oil	\$/lb	0.19	0.18	0.19	0.19	0.19	0.20	0.20	0.21
SB Meal	\$/ton	173.50	169.50	168.00	167.50	168.00	169.00	171.50	177.50
Peanuts	cnt/lb	29.50	31.00	32.00	32.00	32.50	33.50	34.00	34.50
Dry Beans	\$/cwt	18.70	21.20	20.60	20.50	21.10	21.50	21.60	21.70
Potatoes	\$/cwt	5.40	5.50	5.30	5.40	5.50	5.60	5.70	5.70
Sweet Potatoes	\$/cwt	13.60	13.60	13.20	13.20	13.50	13.80	13.90	13.90
Apples	cnt/lb	15.80	15.30	15.70	15.90	16.20	16.50	17.10	17.50
Oranges	\$/box	7.70	7.80	7.80	7.70	7.60	7.50	7.60	7.70
All Fruits	1977=100	196.00	200.00	202.00	202.00	204.00	208.00	213.00	218.00
Vegetables	1977=100	144.00	146.00	148.00	151.00	153.00	155.00	157.00	160.00
SUGAR:									
Sugarbeet	\$/ton	41.50	41.50	41.60	41.70	41.80	41.90	42.00	42.10
Sugarcane	\$/ton	29.30	29.30	29.40	29.50	29.60	29.70	29.80	29.90
TOBACCO:									
Flue-cured	cnt/lb	170.00	175.00	180.00	185.00	188.00	190.00	192.00	194.00
Burley	cnt/lb	180.00	182.00	183.00	186.00	190.00	193.00	196.00	199.00
Cattle	\$/cwt	70.25	69.00	70.55	70.18	70.82	72.91	76.37	78.85
Calves	\$/cwt	90.18	88.25	84.79	80.29	83.57	87.34	93.84	96.03
Hogs	\$/cwt	40.96	41.75	50.95	55.45	56.60	57.33	58.55	59.39
Broilers	cnt/lb	30.30	30.70	31.16	31.75	32.08	32.88	33.90	34.76
Turkeys	cnt/lb	36.50	37.10	37.90	38.16	38.36	38.86	39.48	40.08
Eggs	cnt/doz	55.70	61.10	64.00	62.30	67.50	63.10	68.30	64.90
Milk	\$/cwt	13.29	12.39	11.88	11.85	12.09	12.38	12.48	12.58